



2014 Tax Update

Affordable Care Act

All Americans will be affected in some manner by the Affordable Care Act from 2010. If you received a Form 1095 from any issuer or agency, we **MUST** have all copies to prepare your tax return. If you did not receive a 1095, we must ask you a number of additional questions about insurance coverage so that we can help you avoid any penalties for failure to have health insurance. Due to the changes and the new tax preparation requirements, there may be additional time and charges to complete your return.

Health Care Deductions

Last year's tax bill changed the limit on deductions for medical costs, including health insurance, for 2014. The amount of your medical expenses in most cases must now be more than 10% of your income before we can deduct anything, so weigh carefully whether to go to the trouble of summarizing these costs. If you are self-employed, we still need to know how much you paid for health insurance because it may still be deductible.

Charity

ALL deductions of any amount must have some form of a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250 and should also state that no goods or services were received in return for the contribution.

Foreign Accounts

If you have read any news in the last year, you know that the IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest in a foreign country, or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Mortgage Interest

We must obtain Form 1098 from you when you pay mortgage interest. Additionally we must obtain refinancing closing statements, and if you drew money out on a home mortgage or refinancing we must have general information on the use of the money according to the IRS.

Rental Property

If you own rental property, this year the IRS has demanded substantially more information. We now need, *FOR EACH PROPERTY SEPARATELY*, the physical location, the type of property (single-family, duplex, etc), and Forms 1099-K received, and a record, by property, of the number of days rented and the number of days used for personal purposes.

Gift Changes

Effective 1/1/2013, the amount you may give to one person in one year without any return filing requirements was increased to \$14,000. Very, very few Americans need to worry about Federal estate taxes because of changes in the estate tax limit at the Federal level. However, if you gift over \$14,000 to any individual, we will need to file additional forms.

Surtaxes

If you are in what the press has called the 2% club, be aware that the rest of America will soon be joining you! When the surtaxes on this group of Americans were passed, Congress purposefully did not adjust the thresholds for inflation, and in 6 years, over 50% of all Americans will pay these surtaxes based on estimated inflation rates. Begin planning now whether you are a 2% club member or not in order to maximize 401-k contributions; utilize employer-sponsored cafeteria plans to their fullest limit; investigate

and use employer sponsored fringe benefits such as child care and education; and turn in job expenses for reimbursement.

Future Income Tax Rates & Other

We highly recommend that when you are getting your information to us for your 2014 Federal tax return, that you set an appointment for an after tax season "Tax Tune Up" to examine tax and estate planning strategies.

Please don't hesitate to contact us and set up an appointment to discuss how the above or other items may affect your 2014 or 2014 tax returns.

Sincerely,

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